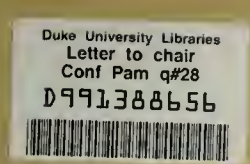


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Treasury Department, C. S. A.
RICHMOND, NOVEMBER 21, 1864.

HON. F. S. LYON,

*Chairman Committee Ways & Means,
C. S. Ho. Reps. :*

SIR,

The doubts expressed as to the equality of limiting the tax in kind for the support of the currency to three articles only, have had my attentive consideration, and my convictions have not undergone any change.

Assuming the sum of notes to be redeemed at \$400,000,000, and the proportion of North Carolina, for example, at one-tenth or \$40,000,000, the tax in kind for that State would be, in corn, 20,000,000 bushels; and it appears to me that the burthen of the tax is in no degree affected by the mode of payment. Being one-tenth of the agricultural income, if paid in kind, it would take from the farmer 20,000,000 bushels of corn; and if paid in money, the value of that quantity. Consequently the State of Virginia, though not taxed in kind on the tobacco crop, if taxed one-tenth of the value in money, would sell that proportion of the crop, and paying the money into the Treasury, contribute thereby her equal share to the common burthen.

To extend the tax to all the present subjects of the tax in kind, would enlarge the sinking fund and allay the apprehensions of possible inequality; but there is something wanting besides a sinking fund; we want a measure of value also. Could we commence the immediate redemption of the notes in specie, and give to all the assurance of receiving payment on demand, the currency would rise at once to specie value. Could we enter immediately upon the redemption in corn at \$1 per bushel, with the assurance of an adequate supply to meet all demands, the appreciation, I think, would be nearly as rapid, and the restoration of the value almost complete. My impressions are that it would be quite complete if the privilege of exportation could be given to the purchaser.

The uniformity of quality that belongs to this staple; its character as an article of food; its universal use; and its simplicity as an article of commerce, combine to give it a value more uniform and stable, and more extensively known in our country than that of any other commodity except gold and silver. For this reason, had the supply of corn been equal to the redemption of the notes within a reasonable time, and the immediate funding of a large proportion not been of such great importance, I would have inclined strongly to the use of corn alone. To encourage immediate funding, and secure adequate means for the early redemption of the whole, cotton and wheat were added, but it must be admitted, I think, that these additions impair, to some extent, the simplicity of the plan, and the certainty and invariability of the value of the notes. Three classes of certificates, in unequal proportions and of different value, must now be used in lieu of one certificate of uniform value. The necessity however of providing an adequate fund rendered this concession unavoidable. But to go further in this direction seems unnecessary.

If tobacco, sugar, rice, hay, hemp, &c. were introduced, the yield of each, and the ratio it bears to the others, would have to be ascertained, the comparative value to be determined, and another class of certificates for each to be issued, in the just proportion it bore to the others. This would greatly complicate the plan and seriously endanger its successful execution, and at the same time define and express with less clearness and precision the value of the notes. More I think would be lost thereby, in that part of the plan which is designed to clothe the notes with the attributes and qualify them to perform the functions of money, than would be gained by enlarging the sinking fund, which is already ample. My impressions are very strong that this view of the subject is correct, and I hope the deliberations of the Committee may bring them to the same conclusions. Speedy legislation is of the utmost importance, and unanimity would be of great value, in inspiring confidence and securing the co-operation of the citizens and the States. The latter may contribute greatly to the success of the measure, and at the same time materially reduce the burthen of the tax.


Take the State of North Carolina as an example. Suppose her share of the debt created by the issue of Treasury notes to be \$40,000,000, and this measure be not adopted, but by funding or otherwise the payment of the notes in money be provided for; in that case her citizens would have \$40,000,000 to pay in specie at a future day. To raise this sum after the war would require at least 50,000,000 bushels of corn; while under the proposed plan 20,000,000 bushels would suffice. It offers also other and greater advantages. If she can borrow \$2,000,000 in specie and sterling exchange, which her banks may in a great degree supply, she may, in the ratio of 20 for 1, buy up the whole sum of \$40,000,000 and reduce her indebtedness from 40 millions to 2 millions, and relieve her citizens from the tax of 20,000,000 bushels of corn. Or in other words, she may purchase 20,000,000 bushels of corn at 10 cents per bushel. It would be the interest of every State, I think, to pursue this course, whether her citizens contributed to the tax in kind set apart for the currency or not. If Virginia, for example, purchase half the certificates for which North Carolina was to provide the means of redemption, the benefit to her citizens would be precisely the same as that predicated of North Carolina. Each, upon the hypothesis stated, by the expenditure of \$1,000,000 in coin would acquire \$20,000,000 in certificates. North Carolina would thereby commute a tax in kind of 10,000,000 bushels of corn, and Virginia would levy a tax on other States of 10,000,000 bushels of corn. If the value of corn in the market were \$1 a bushel, North Carolina, by laying out \$1,000,000 now, would save \$10,000,000; Virginia, by the same means, would make \$10,000,000, and reimburse herself for a money tax of \$10,000,000.

I venture respectfully to submit these reflections to the consideration of the Committee, and remain,

With sentiments of great respect,

Your most ob't serv't,

G. A. TRENHOLM,
Secretary of Treasury.



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